

CHAPTER 16

REVENUES, EXPENSES, GAINS, AND LOSSES1601 GENERAL

160101 This chapter outlines the accounting principles and policy DoD activities shall follow to account for revenues, expenses, gains, and losses. Revenues are discussed in detail in Chapter 18 of this Volume; expenses and losses are discussed in detail in Chapter 17 of this Volume.

160102 The guidance in this chapter implements the accounting principles and policy that shall be followed by DoD Components.

1602 ACCOUNTING POLICY FOR
REVENUES, EXPENSES, GAINS,
AND LOSSES

160201 Revenues are amounts earned as a result of normal operations while gains generally relate to all other transactions resulting in a net gain. They normally result from the sale of, or reimbursement for, goods and services provided to DoD activities, other Federal Government Agencies and to non-Federal Government organizations. However, in some limited cases they may consist of interest income and profits from the sales of securities.

160202 Revenues shall be recorded at their gross amount while gains are shown net of related costs.

160203 The basis for recording an amount as a revenue shall be the delivery of goods and services as evidenced by documentation of performance, a billing to the ordering activity, or the establishment of an accrual evidenced by constructive delivery or percentage of completion.

160204 In certain situations, delivery to customers may be spread over several accounting periods and a billing does not occur until final delivery is made. In such cases, revenue shall be recognized each time a partial delivery is made with a corresponding debit entry to the appropriate noncurrent accounts receivable account.

160205 Collections resulting from the sale of assets such as equipment shall not be treated as revenues by DoD Components that are not established to sell goods and services to other Federal Government Agencies or to non-Federal Government organizations. Such collections are a partial recovery of the asset and shall be treated as such. Asset disposals, after considering any accumulated depreciation and cash collections, result in a gain or loss on disposal.

160206 Refunds are recoveries of over payments and, as such, are not revenue. Refunds result from errors in paying invoices or returned items to vendor.

160207 Expenses and losses are the use of resources during an accounting period in carrying out DoD's mission. These can result from rendering services, delivering or producing goods, or carrying out other activities. Expenses relate to normal operating activities, while losses generally relate to all other transactions resulting in a net loss.

160208 The distinction between expenses and losses is a matter of classification in the general ledger accounts and their presentation in financial statements. Expenses are commonly reported at their gross amount while losses are shown net of related proceeds.